UNITED NATIONS

DP

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.
GENERAL

DP/CCF/PNG/1
20 December 1996

ORIGINAL: ENGLISH

Second regular session 1997
10-14 March 1997, New York
Item 2 of the provisional agenda
UNDP

UNDP: COUNTRY COOPERATION FRAMEWORKS AND RELATED MATTERS

FIRST COUNTRY COOPERATION FRAMEWORK FOR PAPUA NEW GUINEA (1997-2001)

CONTENTS

	Paragraphs	Page
INTRODUCTION	1 - 2	2
I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE	3 - 12	2
II. RESULTS AND LESSONS OF PAST COOPERATION	13 - 16	4
III. PROPOSED STRATEGY AND THEMATIC AREAS	17 - 41	4
A. Governance	22 - 27	5
B. Environment and natural research management	28 - 33	6
C. Sustainable rural livelihoods	34 - 36	7
D. Reconstruction and rehabilitation of Bougainville	37 - 41	8
IV. MANAGEMENT ARRANGEMENTS	42 - 46	8
Annex. Resource mobilization target table for Papua New Guinea (1997-2001)		10

/...

96-37595

INTRODUCTION

1. A country strategy note for Papua New Guinea was completed by the Government in May 1996, in full consultation with the United Nations system, other donors, non-governmental organizations (NGOs) and academia. The country strategy note, which covers the period 1997-2001, describes a sustainable human development (SHD) framework for United Nations system support to the country in the following areas: (a) governance; (b) sustainable rural livelihoods; (c) peace and reconciliation in Bougainville; (d) environment and natural resources; (e) education; and (f) health.

2. As recommended in the UNDP advisory note, which was submitted to the Government in October 1996, the first country cooperation framework (CCF) for Papua New Guinea, which covers the same period as the country strategy note, 1997-2001, will focus on the first four of the above-mentioned areas of intervention. Support from other United Nations agencies, notably the United Nations Children's Fund, the World Health Organization and the United Nations Population Fund, will focus on the areas of education and health and will be directly complementary to the support from UNDP.

I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

3. While Papua New Guinea does not yet have a multi-year national development plan, the Government has articulated the following 10 major development problems as priorities for the next five years: macroeconomic instability, poor growth, and weak private sector development; high rates of unemployment and underemployment; an inadequate physical and social infrastructure; chronic law and order prcblems (including the crisis in Bougainville); a high burden of ill health, particularly among rural women and children; high rates of adult illiteracy and high primary school drop-out rates; the low status of women; poor delivery of and inequitable access to basic services; a high population growth rate; and the challenge of maintaining environmental integrity, while developing the economy.

4. In terms of its 1996 human development index, Papua New Guinea ranks 126 out of 174 countries, or lowest in the "medium human development". The country's dualistic, subsistence-based/modern commercial economy has a produced a relatively high real gross national product per capita of $1,130, ranking it among middle income countries. The economic growth rate has varied from -3.7 per cent in 1989 to over 16 per cent in 1993, and back down to -4.7 per cent in 1995. However, these figures disguise significant income disparities, particularly between rural and urban areas.

5. Numerous social indicators demonstrate that poverty is a significant problem in Papua New Guinea. The maternal mortality rate is one of the highest in the world, the infant mortality rate is increasing, with considerable variation from province to province, and levels of female literacy and access to clean water are very low. The causes of these poor social indicators are numerous and intertwined. Structural causes include inefficient use of funds, lack of coherent planning, and a weak infrastructure. The country's expenditures in the social sector are high compared to other countries at a similar level of development, but these funds have been used largely to cover recurrent costs, leaving little for investment in development. Poor and inequitable access to social services in the rural areas and environmental degradation due to unsustainable patterns of resource exploitation have led to an increase in poverty. In addition, human immunodeficiency virus/acquired immune deficiency syndrome (HIV/AIDS) is an emerging problem that will likely have an increasing impact on poverty in the future. The most critical economic

causes of poverty include the dualistic nature of the economy, based on resource exploitation, which develops few jobs, and the weak nature of management in the private sector and small businesses, which results in considerable unemployment, underemployment and low productivity.

6. Poverty is becoming more entrenched in Papua New Guinea, owing to three interrelated circumstances. First, while the causes of law and order problems in the country are numerous and complex, there appears to be a correlation between decreasing socio-economic indicators and increasing rates of crime. Furthermore, the law and order problem discourages foreign investment and tourism, which further exacerbates the economic roots of poverty. Second, there has been an increase in migration to urban areas, coinciding with a decrease in quality and quantity of government services in the rural areas. With more people moving into unplanned urban settlements, problems related to urban poverty are further aggravated, and people are becoming increasingly alienated from their customary land. Third, with approximately 85 per cent of the population engaged in subsistence agriculture and fishing and 97 per cent of the land under traditional community ownership, rural resource owners and community groups are increasingly claiming compensation for any development, including the construction of roads and buildings.

7. Unemployment and underemployment pose serious problems to Papua New Guinea. The country also suffers from low productivity per employee, as the area of human resources is weak. The strengthening of subsistence agriculture and fishing-based livelihood systems through on- and off-farm opportunities is central to increasing rural incomes and standards of living. The Government views the agricultural sector and downstream processing as important avenues for future economic growth and employment generation. Papua New Guinea's small enterprises currently account for only 3.5 per cent of its gross domestic product and 4 per cent of formal sector employment.

8. Women tend to be disadvantaged in Papua New Guinea, as demonstrated by their high burden of work, the alarming rates of domestic violence against women, their marginalization from economic and political life, and the poor social indicators mentioned above. Government efforts to mainstream gender issues in the context of development need further strengthening.

9. Harbouring an estimated 5 to 7 per cent of the world's biodiversity, the land and sea resources of Papua New Guinea have outstanding natural values, such that the country is regarded as one of the most important areas for rainforest and marine conservation in the world. However, past foreign earnings have resulted to a large extent from non-sustainable resource exploitation, and there is a strong temptation to continue on this path for the coming decade. The Government's capacity to enforce environmental laws and implement environmentally sustainable development strategies to reduce such degradation is currently limited. Coordination among natural resource-oriented government departments and within and between NGOs needs strengthening.

10. Since the abolition of the National Planning Office some 10 years ago, there has been a distinct lack of a development framework within which to allocate scarce resources. The result was that the annual budget tended to drive planning, rather than the other way around. The re-establishment of the National Planning Office in 1995 is viewed as laying the foundation for better prioritization and resource utilization in the future.

11. The recently adopted Organic Law on Provincial and Local-Level Government will provide for greater decentralization of economic, financial and planning authority and resources to the subnational levels, leading to improved delivery of social, economic and other services to all. If well-managed and sustained, those services may be expected to bring about improvements in quality of life.

12. Over the years, most of the 19 provincial governments have been suspended at some time, with alleged financial mismanagement as the main reason for the suspension. In rural areas, there is a critical shortage of government personnel with financial management expertise, creating a major bottleneck in efforts to implement the new Organic Law effectively.

II. RESULTS AND LESSONS OF PAST COOPERATION

13. Common shortcomings in donor assistance have been the tendency to rely heavily on costly, outside expertise throughout the project cycle, the lack of full integration of donor projects into government programmes, wastage of donor funds, and difficulties in achieving sustainable impact. The proliferation of donor projects places great demands on Government's human and financial resources.

14. UNDP is viewed by the Government as playing an important role in the areas of capacity-building, aid coordination, policy development, and planning. Despite its relatively limited financial resources, UNDP is seen to have several comparative advantages vis-à-vis other external donors. The organization's neutrality is seen as advantageous, particularly when dealing with sensitive policy issues, such as the situation in Bougainville. Furthermore, the global nature of UNDP enables the Government to gain access to international technical expertise and experience. Finally, UNDP has a comparative advantage in certain key sectors, due to its past involvement in them. The Government's commitment to progress in UNDP thematic areas is demonstrated by its high level of cost-sharing.

15. The mid-term review of the fifth country programme for Papua New Guinea (1993-1996) indicated the need to consolidate the number of projects and interventions, in order to increase impact. Other recommendations included the need for the Government to lead the project design process, for UNDP to undertake more formal and non-formal training, and for more effective and proactive monitoring and evaluation capacities within the Government and UNDP.

16. Given the relatively limited resources of UNDP, the mid-term review also recommended that UNDP focus its resources by linking strategic upstream support for policy and planning initiatives that could have an impact on a national scale to downstream support that would test those initiatives. The review further noted that UNDP had not undertaken national execution, and drew attention to the need to integrate support provided in one area, such as governance, with that in another area, such as natural resource management, in order to make effective progress towards SHD.

III. PROPOSED STRATEGY AND THEMATIC AREAS

17. The notion of SHD in Papua New Guinea includes a commitment to a number of principles. Under the first CCF, sustainable partnerships and capacity-building will be promoted, to ensure that UNDP-sponsored areas of support are oriented towards full and complete ownership by national organizations, whether they are government departments, NGOs, umbrella organizations, community or church groups, or research institutes. Such partnerships entail a commitment to participatory processes and gender equity, in which potential beneficiaries, whether they are at the community, provincial or national levels, are actively involved in the identification, implementation and evaluation of development initiatives. Gender-disaggregated data will be collected systematically in each programme area, and increased advocacy for gender issues will be undertaken.

18. To have a sustainable impact, UNDP-supported activities must have the potential to be replicated on a larger scale. The main emphasis will be on upstream interventions, with downstream support provided mainly to validate interventions or to help to promote pilot projects for subsequent replication on a larger scale. Sustainable environment and development processes will be adopted, to ensure that economic growth and social development goals can be achieved in a manner that does not jeopardize the natural environment.

19. In accordance with the UNDP mandate to support SHD, the overriding theme of the first CCF is poverty alleviation, which, as described in the country strategy note, will have six separate, but interrelated entry points, four of which have been designated for UNDP support: governance; environment and natural resource management; sustainable rural livelihoods; and the reconstruction and rehabilitation of Bougainville. An integrated approach will reinforce a decentralized, bottom-up planning system and sustainable development policies that support economic growth, equity, poverty eradication, gender issues and the environment.

20. Recognizing that core financial resources will be limited, they will be used mainly to support two of the four entry points - governance and sustainable rural livelihoods. Core resources from the resource line for countries in special situations will also be provided for the reconstruction and rehabilitation programme for Bougainville, complementing third-party and government cost-sharing. Support for environment and natural resources management will be sought from the Global Environment Facility (GEF), although a limited amount of core resources has been earmarked for follow-up to earlier UNDP support for the National Forest Conservation and Action Programme.

21. In addition, UNDP will support the Joint and Co-sponsored United Nations Programme on HIV and AIDS, and will undertake a more proactive advocacy role in a number of areas, including poverty alleviation, sustainable development, and gender issues. In this regard, UNDP will continue to play a collaborative and supportive role vis-à-vis other United Nations agencies represented in the country, through its regular coordination mechanisms, as well as inter-agency collaboration in areas such as the reconstruction and rehabilitation of Bougainville and HIV/AIDS.

A. Governance

22. Good governance requires, among other things, coherent bottom-up planning, coordinated policies that encourage growth with equity, fiscal and environmental responsibility, accountable leadership, and respect for human rights.

Support to decentralized planning and the new Organic Law

23. The Government has requested that UNDP assist in the restructuring and strengthening of the national planning system, to make it more coherent, decentralized, participatory, effective and focused on long-term sustainable development objectives, including the integration of environmental issues into all aspects of development planning. The anticipated results of an initial two-year project are: a National Planning Office capable of formulating a macroeconomic planning strategy and sound sustainable development policies; the development of the capacity of the central and pilot provincial levels of the National Planning Office to direct, support, monitor and evaluate the implementation of plans and policies; the development and use of an effective data management system; and strengthened capacity for participatory planning at the district and local levels. It is envisaged that a follow-up project will be needed, the precise content of which will be defined during the course of the implementation of the initial project.

24. It is anticipated that the first phase of work in this area will be funded by UNDP, with cost-sharing from AusAID. One of the outputs will be further identification of technical assistance needs, particularly with regard to human resources development.

Enhancing financial management capacities

25. For the new Organic Law and decentralized planning initiatives to be successful, they must be accompanied by sound financial management. The Government has requested that UNDP support this area by concentrating on human resource development, to help build a cadre of qualified, capable and motivated financial managers nationwide, particularly at subnational levels. UNDP core resources will be used initially to develop a comprehensive human resources development programme. However, it is anticipated that core resources will also be applied towards the implementation of the programme. Given the magnitude of the task, significant additional financial resources will have to be raised, either through cost-sharing or parallel-financing.

26. The expected result of the support is the greater involvement of Papua New Guinea nationals in the Government's financial management system, a higher staff retention level, and a sustainable financial management system, with the capacity to meet ongoing training needs. Close linkages, including common training needs assessments, will be promoted between the financial management and decentralized planning projects.

Macroeconomic policy research, analysis, and advocacy

27. The Government has encouraged UNDP to launch advocacy campaigns and activities to increase understanding of the gender, geographic and social dimensions and consequences of poverty. Such advocacy work is needed to increase national commitment to sustainable development and environmental issues. Disaggregated SHD indices collected in the decentralized planning project will provide the basis for further advocacy work.

B: Environment and natural resources management

28. In 1996, the concept of Total Environmental Catchment Management (TECM) was endorsed by Cabinet and will set the regulatory framework for environment and natural resources management for other government agencies, as well as for NGOs, donors and the private sector. This approach entails the designation of catchments and the declaration of areas therein for terrestrial and marine biodiversity conservation, forest management, and other land use, encouraging a more rational and coherent land-use planning system, involving all relevant actors. The implementation of this new approach must be merged with the spirit of decentralization in the new Organic Law. The Government gives priority to strengthening the role of resource owners in the development and conservation process, since it recognizes that for the TECM approach to be successful, participation and commitment from the local population is essential. Another priority area is to improve Papua New Guinea's capacity to plan, regulate and monitor international environmental conventions (see para. 32 below).

Marine and terrestrial biodiversity conservation and forestry management

29. Based on lessons learned and a forthcoming evaluation of the ongoing Biodiversity Conservation Management Programme, continued support for expansion or strengthening of terrestrial Integrated Conservation and Development sites will be provided. It is recognized that the gains made in the first five years of that programme will need to be consolidated. In the future, greater attention will be paid to issues of community participation and environmental

awareness, to ensure an equal balance between conservation and development. UNDP funds will be mobilized through GEF.

30. UNDP may also provide support for a second phase of the National Forest Conservation and Action Programme, once the recommendations of the 1995 UNDP-funded review of the programme have been accepted for implementation, with resources mobilized from the Forestry Trust Fund. The second phase will most likely consist of providing funds for small projects, to be implemented by NGOs and community-based organizations, in such areas as biodiversity conservation, reforestation, eco-tourism, eco-forestry, and institution-strengthening. UNDP will also consider support for the energy sector, given the majority of the population's high level of dependency on fuel wood.

31. In addition, UNDP will assist in integrated coastal zone management in support of existing government initiatives in the realm of sustainable use and conservation of coastal/marine zones, particularly those of high biodiversity value. This field has received relatively little donor support in the past, although Papua New Guinea's marine biodiversity is exceptionally rich. Possible future activities include promoting the adoption by coastal communities of sustainable fishing practices, reducing dynamite fishing, establishing conservation sites, supporting research, and conducting awareness campaigns. If undertaken, such activities will be carried out in close collaboration with AusAID and established NGOs in the field.

Implementation of international environmental conventions

32. The Government has requested support in developing strategies to implement and enforce international environmental conventions, such as the United Nations Framework Convention on Climate Change. Papua New Guinea is highly vulnerable to the potential impacts of climate change, given its 17,000 kilometres of coastline.

Capacity-building at the subnational level

33. The Government has further requested that UNDP support the Department for Environment and Conservation and other relevant agencies in the implementation of the TECM concept, within the context of the new Organic Law. UNDP support in this area will be provided in part through the national planning system project discussed in paragraphs 23 and 24 above.

C. Sustainable rural livelihoods

34. The Government has identified unemployment and underemployment as critical problems that are also major contributing factors to the prevailing law and order situation. The Government has identified both agricultural development, particularly smallholder development, and increasing small-enterprise and income-generation opportunities as major employment-generation and income-earning strategies.

Increasing small enterprise opportunities through capacity-building

35. Ongoing support of small business development services through the Small Business Development Corporation (SBDC) and the Construction Industry Unit of the Department of Commerce and Industry will be continued, but with an increased focus on the rural areas and on micro- and small-scale enterprises, in order to increase impact on job creation, rural incomes and poverty alleviation. In order to demonstrate impact on SHD, gender-disaggregated data will be collected, to measure the number of small businesses started as a result of training, the number of jobs created, the number of enterprises surviving after one year, changes in income levels, and other impact-oriented data.

Strengthening and expansion of a community-based micro-credit system for women

36. UNDP-supported experimentation with micro-credit for rural women based on the Grameen Bank model in one area of Papua New Guinea has proven positive to date. UNDP will support the expansion of this model to other areas, as well as the establishment of better linkages with the SBDC network of small/micro-business support agencies (see para. 35 above). Expansion of the model will be undertaken at a slow and careful rate.

D. Reconstruction and rehabilitation of Bougainville

37. The report of a 1995 United Nations inter-agency mission on the proposed outline for rehabilitation and reconstruction in Bougainville has been endorsed by the National Executive Council and the Bougainville Transitional Government. Resolution of the crisis in Bougainville will help to open the way for progress in aspects of several key development issues mentioned above.

38. The Government views one of the comparative advantages of UNDP, and of the United Nations system as a whole, as its neutrality, which enables it to be an effective partner in sensitive policy areas. UNDP has extensive worldwide experience in developing and implementing activities in the various stages of relief, rehabilitation and development. Once certain minimal security and political concerns have been addressed, reconstruction and rehabilitation activities will be launched in Bougainville, as part of a process to further promote peace and stability.

39. Other major bilateral and multilateral donors are also likely to support reconstruction and rehabilitation activities in Bougainville, and the Government has requested that UNDP play a leadership role in resource mobilization. To this end, when the security situation will allow it, UNDP will convene a resource mobilization meeting to seek funds for the programme.

40. UNDP has also been requested to establish a Programme Management Office in Bougainville, which will be responsible for overall management and supervision of activities, once the security situation allows. The primary task of the office will be to work itself out of existence by the end of four years, leaving in its stead an appropriate, strengthened and effective Government, NGOs and other institutions.

41. Handouts will be avoided and the displaced will be encouraged to leave care centres as quickly as possible. The focus areas of the inter-agency programme are: restoration of employment, income generation and sustainable livelihoods; rehabilitation of basic services; rehabilitation and reintegration of youth into society; and alleviation of the suffering of women and children.

IV. MANAGEMENT ARRANGEMENTS

42. Increased importance will be given to the use of national execution, the programme approach and UNV specialists. The Government will also become increasingly responsible for designing and elaborating future programme and project documents.

43. The Government supports the adoption of an integrated approach within each of the four thematic areas for UNDP support. For instance, strong linkages will be made between support for small business support systems and assistance for women's micro-credit services, in an effort to address more effectively the barriers to increased incomes and the sustainability of small enterprises. Likewise, support for decentralized financial management will be developed in tandem with support to decentralized planning. UNDP support for policy analysis

and advocacy will build on the disaggregated SHD data collected in the national planning area. Work in the above-mentioned areas will also contribute to improved governance, transparency and popular participation.

44. In selecting project staff, priority will be given to national experts, in an effort to promote Papua New Guinea's own human resources and ensure greater sustainability. In the absence of suitable national experts, UNV specialists will be employed, as they have proven to be cost-effective, technically competent, and experienced at skills transfer and capacity-building.

45. Where capable and reliable NGOs can be identified, they will be entrusted with the responsibility for execution of elements of specific programmes. Furthermore, NGO capacity-building initiatives will receive increased attention. By funding NGOs that are geographically situated near existing UNDP-supported activities, greater impact can be achieved, community participation strengthened, and monitoring facilitated.

46. Attention to monitoring of the UNDP-supported programmes will be increased by both UNDP and Government. All future programme or project documents will include clearly defined and measurable impact-oriented indicators, in order to establish objective standards against which project and programme performance will be measured. In this regard, the Government, UNDP staff, and appropriate partners will be provided with training in impact-oriented monitoring skills. Future monitoring systems will be proactive, and potential problems will be identified in advance. In addition, the information collected through monitoring visits and reports will be tied more closely to public relations and advocacy activities. Similarly, lessons learned from project and programme reviews will be systematically incorporated into revised project design and implementation arrangements.

Annex

RESOURCE MOBILIZATION TARGET TABLE FOR PAPUA NEW GUINEA (1997-2001)

(In thousands of United States dollars)

Source	Amount	Comments
UNDP CORE FUNDS		
Estimated IPF carry-over	(2 488)	
TRAC 1.1.1	3 202	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
TRAC 1.1.3	1 200	Earmarked for Bougainville.
SPPD/STS	280	
Subtotal	2 194 a/	
NON-CORE FUNDS		
Government cost-sharing	6 036	
Sustainable development funds:	3 750	
	of which:	
GEF	3 650	
Capacity 21	100	
Third-party cost-sharing	9 550	AusAID, ADB and other donor support for Bougainville.
Funds, trust funds and other	-	
Subtotal	19 336	
GRAND TOTAL	21 530 a/	

a/ Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: ADB = Asian Development Bank; GEF = Global Environment Facility; IPF = indicative planning figure; SPPD = support for policy and programme development; STS = support for technical services; and TRAC = target for resource assignment from the core.